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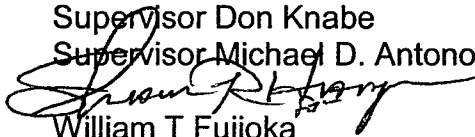
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October 5, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich
From: 
William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

OUTLOOK FOR WATER SUPPLY SPECIAL SESSION

The State Senate is leading the push to produce an agreement on a water package. According to a memo from Senator Perata to all Senators, the Senate Natural Resources and Water Committee will hear all of the Special Session water bills on Monday, October 8, 2007. The bills that pass out of Natural Resources and Water will be heard in Senate Appropriations on Tuesday, October 9, 2007 and a Senate Floor Session has been tentatively scheduled for Wednesday, October 10, 2007 to act on whatever is passed by Appropriations. As of today, the Assembly has only scheduled a subject-matter hearing on water issues for the afternoon of October 4, 2007.

The road to consensus on a water package continues to be difficult. Partisan divisions continue to be displayed in the debate. The biggest split appears to be over the necessity for, and advisability of, building three Northern California dams. Republican legislators support funding of specified Northern California dams and Democratic legislators remain opposed and support local water supply reliability and conservation efforts. Considerable debate also surrounds whether the water agreement should include what was called the Peripheral Canal, which was proposed in the early 1980s as another way to divert water south from the Sacramento River, and the Delta, but is now referred to as water conveyance. Finally, the Senate seems to be about \$4 billion below the Governor's proposed \$9 billion water bond package.

PURSUIT OF WATER SUPPLY POLICY AND PRINCIPLES

California is confronting a situation in which its water supplies may be curtailed by climate change and other environmental restrictions. This shortfall may be particularly pronounced in Southern California as a result of a recent court decision which would reduce the supply of water from Northern California by as much as 37 percent.

As the most populous county in California, Los Angeles County **supports the passage of water supply legislation in the special session to increase the reliability of State and local water supplies with appropriate infrastructure and equitable funding levels.** Consistent with this policy, the County supports the following principles:

- **Local Water Reliability and Conservation:** Preserve existing supplies and promote local supply reliability and conservation through various approaches including recycling, and groundwater recharge.
- **Protection and Improvement of Water Quality:** Protect and improve water quality including drinking water, groundwater, and urban storm water management.
- **New Water Supplies:** Create new water supplies using a variety of approaches including preservation of water by recycling, enhanced storage capacity through seismic retrofit of existing structures and increased utilization of spreading grounds and debris basins.
- **Conveyance and Local Storage:** Provide a reliable Statewide conveyance and local storage system to deliver water supplies to Southern California.
- **Bond Funding and Appropriations:** Authorize a significant level of water supply bond funding and appropriations consistent with the above principles.
- **Equitable Allocation Criteria for Regional Projects:** Allocate competitive grant funds primarily on the basis of population to State-recognized Integrated Regional Water Management regions.

These general principles were developed by my office in collaboration with the Department of Public Works (DPW). They are consistent with existing County policy to support legislation to a) improve the reliability of water imported into Los Angeles County; b) encourage water conservation and increase the efficiency of water use; and c) increase the use of recycled water within Los Angeles County contained in the State Legislative Agenda for the 2007-08 Session; and with the April 3, 2007 Report of the Infrastructure Task Force to maximize the amount of funding available to the County

from the various bond acts. **Therefore, our Sacramento advocates will promote these general principles in the Special Session and use them to guide our advocacy efforts.**

WATER SUPPLY LEGISLATION

There are five bills under consideration by the Senate as part of the Water Supply Special Session set for hearing in the Senate Natural Resources and Wildlife Committee on Monday, October 8, 2007. In addition, there are five bills under consideration by the Assembly. The Assembly held an informational hearing on October 4, 2007 to discuss some of the key issues being addressed in the Special Session.

Senate Bills

County-supported SB 2X 1 (Perata, Machado and Steinberg), as outlined in our Sacramento Update of September 20, 2007, would appropriate a total of \$611 million in bond funding from Proposition 1E (2006), Proposition 84 (2006) and Proposition 50 (2002) to the Department of Water Resources (DWR) and State Department of Public Health for a variety of water-related projects, particularly related to the Sacramento-San Joaquin Delta.

SB 2X 2 (Perata, Machado and Steinberg) would enact the Water Supply Reliability Bond Act of 2008 which would authorize the issuance of \$5.8 billion in bonds for water supply reliability and environmental restoration. **County Position: Support if Amended** (Please refer to the Pursuit of Position in Attachment I).

Our Sacramento advocates have advised that SB 2X 2 may be amended to increase the authorized amount of the bond, add categories and increase funding allocations for eligible projects, and make other technical changes. An analysis of the proposed amendments to SB 2X 2 will be reported in a future Sacramento Update.

SB 2X 3 (Cogdill and Ackerman), which is the Governor's proposal, would also enact the Water Supply Reliability Bond Act of 2008 at a bond issuance level of \$9.1 billion. The major difference in the amounts of the two bond measures (SB 2X 2 and SB 2X 3) is the inclusion of \$5.6 billion for water storage development projects, including the construction of three Northern California dams, in the Governor's version (SB 2X 3). **No County Position on the construction of new dams.** DPW advises that the operation of these facilities will have a positive impact on water quality in the Delta and help ensure future delivery.

SB 2X 4 (Cogdill and Villines), is similar to SB 2X 1 in content and would appropriate a total of \$553 million in bond funding from Proposition 1E (2006), Proposition 84 (2006), and Proposition 50 (2002) to DWR and State Department of Public Health for various water projects. **County Position: Support if Amended** (Please refer to the Pursuit of Position in Attachment I).

SB 2X 5 (Wiggins) was introduced on October 1, 2007 and would appropriate \$5.3 million of the \$45 million available from Proposition 84 (2006) to the Department of Fish and Game for coastal salmon and steelhead fishery restoration projects and the Coastal Salmonid Monitoring Plan. **No County position.**

Assembly Bills

AB 2X 1 (Laird), AB 2X 2 (Laird), and AB 2X 3 (Laird) are spot bills, as reported in the September 28, 2007 Sacramento Update, which currently state Legislative intent to: 1) enact a comprehensive delta sustainability, water reliability, and water quality general obligation bond act; 2) invest funding in programs and projects that improve the State's water supply and promote certain principles; and 3) review and adopt a comprehensive strategy to resolve issues of water supply reliability, ecosystem restoration, water quality, and levee system integrity. These are spot/concept bills. **No County position.**

AB 2X 4 (Villines) is identical to **SB 2X 4 (Cogdill)** which appropriates a total of \$553 million in bond funding from Proposition 1E (2006), Proposition 84 (2006), and Proposition 50 (2002) to DWR and State Department of Public Health. County position is pending. **County Position: Support if Amended** (Please refer to the Pursuit of Position in Attachment I).

AB 2X 5 (DeVore) would authorize the State Energy Resources Conservation and Development Commission to certify one new nuclear fission thermal reactor located at the site of an existing operating nuclear fission thermal power plant, if not less than 20 percent of the electricity generated by the reactor is dedicated to powering desalinization facilities to produce additional fresh water from salt water and the generating capacity of the reactor does not exceed 2,000 megawatts. **No County position.**

LOCAL AND REGIONAL WATER SUPPLY PROJECTS

The Department of Public Works (DPW) has identified projects that are consistent with criteria described in the competitive grant programs addressed in the Water Supply Special Session legislation. Examples of projects include:

Water Recycling and Groundwater Recharge

The **Antelope Valley Recycled Water Project (Phase 2)** is one phase of the Los Angeles/Kern County Regional Recycled Water Project, and is jointly proposed by the Los Angeles County Waterworks District No. 40, the Cities of Palmdale and Lancaster, and the Los Angeles County Sanitation District (LACSD). The Los Angeles/Kern County Regional Recycled Water Project outlines a foundation of a regional recycled water system in the Antelope Valley. The proposed system would distribute recycled water throughout the service area and provide the necessary infrastructure that could accommodate minimum and maximum demands and allow significant deliveries of recycled water to direct use and potential recharge areas. The recommended plan's placement of the system components is based on an analysis of the service area demands, topography, and desired operating pressures.

The **Groundwater Recharge Using Recycled Water Pilot Project** would build upon the regional recycled water project and LACSD projects. The pilot program would recharge a blend of stormwater and recycled water from the Lancaster Water Reclamation Plant. A supplemental blend supply (local groundwater, raw imported water or treated imported water) would likely be needed. Under the current proposal, recharge would occur at the City-proposed 100-acre stormwater basin at 60th Street West and Avenue F in Lancaster. Up to 2,500 Acre Feet (AF) of water would be recharged annually, including 500 AF of recycled water. The recharged water would be pumped to serve either non-potable uses or municipal and industrial uses, after an initial monitoring phase is complete.

Integrated Regional Water Management Plans

Los Angeles County is divided among three integrated regional water management (IRWM) areas. Each IRWM is responsible for developing plans that include projects that benefit the respective region. The IRWM Plan for Greater Los Angeles County, for example, includes proposed projects within the following sub-regions: Lower San Gabriel and Los Angeles River Watershed, North Santa Monica Bay Watershed, South Bay Watershed, Upper Los Angeles River Watershed, Upper San Gabriel River and Rio Hondo Watersheds. In addition, there are regional projects that fall within multiple or all of the sub-regions.

Projects considered by the IRWM provide benefits related to programs being addressed in the Water Supply Special Session including water supply, water quality, and infrastructure repair and replacement. A portion of the projects considered by the IRWM would provide benefits to two or more of these categories. A review of 2,000 water supply and water quality projects for the Greater Los Angeles Integrated Regional Water Management area suggests that completion of such projects would yield:

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Water Supply Projects

Annual yield of water supply in acre-feet: 245,000

Water Quality

Treatment capacity of projects: 36,520,000 million gallons per day

Each IRWM is responsible for prioritizing its projects. Additional information on specific projects will be provided in a future update.

Master Bill List

A roster containing the status of all special session water supply bills with a County advocacy position is included in Attachment II.

We will continue to keep you advised.

WTF:GK
MAL:IGA:hg

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

Pursuit of County Position on Water Supply Legislation

SB 2X 2 (Perata, Machado and Steinberg), as introduced on September 19, 2007 would enact the Water Supply Reliability Bond Act of 2008 which would authorize the issuance of \$5.8 billion in bonds for water supply reliability and environmental restoration if passed by the voters on February 5, 2008 as part of the Statewide Presidential primary election. As an urgency measure and bond measure, this bill requires a two-thirds vote of both houses of the Legislature, but does not require approval from the Governor.

SB 2X 2 allocates a total of \$2.4 billion for Delta sustainability, of which \$1 billion is dedicated for projects that address water quality, water flow, protection of transportation and other vital infrastructure in and around the Delta, and for levees and disaster preparedness to ensure that urban and agricultural water supplies derived from the Delta are not disrupted because of failure of Delta levees resulting from earthquakes, floods, or other forces. The remaining \$1.4 billion of the \$2.4 billion for Delta sustainability is allocated to the Bay Delta Conservation Plan, ecosystem, and greenhouse gas reduction.

The bill sets aside \$2 billion in bond proceeds for competitive grants for water supply reliability to eligible projects that are consistent with an adopted Integrated Regional Water Management (IRWM) plan. A total of \$1.6 billion in funds would be distributed among 11 hydrologic regions and sub-regions identified in the California Water Plan. An additional \$400 million is set aside for an "Interregional" category to be expended directly or granted by DWR to address multiregional needs or Statewide priorities.

Of the \$1.6 billion allocated directly to hydrologic regions, \$369 million is allocated for the Los Angeles sub-region which includes Ventura County. This amount represents only 23 percent of the direct allocation (18 percent of the total \$2 billion categorical allocation). A population-based approach would yield the Los Angeles region approximately \$448 million of the amount allocated directly to hydrologic regions.

This bill also includes \$1 billion for resources stewardship and environmental restoration for expenses and grants for ecosystem restoration, urban watershed, and stormwater management. Thirteen watersheds, including the Los Angeles and San Gabriel River watersheds are listed under this section as eligible to receive funding. In an effort to further clarify eligibility, the following watersheds would need to be included in the bill: Santa Monica Bay, Dominguez Channel, Ballona Creek, Santa Clara River, and Antelope Valley Watersheds.

SB 2X 2 also includes \$400 million for expenditures, grants, and loans for projects to prevent or reduce the contamination of groundwater that serves as a source of drinking water to be made available for projects necessary to protect public health by preventing or reducing the contamination of groundwater that serves as a major source of drinking water for a community.

Overall, the County's Water Supply Policy Principles support many of the programs and concepts contained in SB 2X 2. However, the existing methodology to allocate funds among the hydrologic regions is not consistent with the principle of **Equitable Allocation Criteria for Regional Projects**. Since this is a Statewide bond measure, funds to be distributed to hydrologic regions should be allocated on a population basis to ensure an equitable allocation.

In addition, SB 2X 2 could benefit from technical amendments that would redefine the meaning of "integrated regional water management plan" in the bill from "defined geographic area" to "recognized hydrologic Integrated Regional Water Management areas."

SB 2X 2 would be consistent with County policy and principles if amended to: 1) provide for a population-based allocation for funds allocated directly to hydrologic regions and watersheds; 2) further clarify the funds allocated for water reliability projects in the Interregional category to provide for equitable allocation criteria; 3) redefine the meaning of integrated regional water management plan to recognized hydrologic Integrated Regional Water Management areas; 4) and add the Santa Monica Bay, Dominguez Channel, Ballona Creek, Santa Clara River, and Antelope Valley Watersheds to the list of watersheds eligible for funding included in the bill. **Therefore, our Sacramento advocates will support SB 2X 2, if amended as indicated above.**

This measure is set for hearing in the Senate Natural Resources and Water Committee on Monday, October 8, 2007. Support and opposition to this measure is currently unknown.

Our Sacramento advocates have advised that SB 2X 2 may be amended to increase the authorized amount of the bond, add categories and increase funding allocations for eligible projects, and make other technical changes. An analysis of the proposed amendments to SB 2X 2 will be reported in a future Sacramento Update.

SB 2X 4 (Cogdill) and AB 2X 4 (Villines), which are identical bills, would appropriate a total of \$553 million in bond funding from Proposition 1E (2006), Proposition 84 (2006), and Proposition 50 (2002) to the Department of Water Resources (DWR) and State Department of Public Health (SDPH) for a variety of water projects, particularly related to the Sacramento-San Joaquin Delta.

Specifically, these bills appropriate money for the following purposes:

Funding provided to DWR:

- \$150 million for stormwater flood management project grants;
- \$40 million for planning grants and local groundwater assistance grants;
- \$50 million for projects to relocate existing Sacramento-San Joaquin Delta water intake facilities;

- \$80 million to increase the department's ability to respond to levee breaches and to reduce the potential for levee failure;
- \$100 million for the acquisition, preservation, protection, and restoration of Sacramento-San Joaquin Delta islands;
- \$12 million to complete planning and feasibility studies associated with new surface storage under the California Bay-Delta Program;
- \$15 million for planning and feasibility studies to identify potential options for the reoperation of the State's flood protection and water supply systems;
- \$10 million to update the California Water Plan; and
- \$3.49 million for planning and feasibility studies associated with surface storage under the California Bay-Delta Program (Prop 50).

Funding provide to SDPH:

- \$27.15 million for grants and loans for small community drinking water system infrastructure improvements; and
- \$50 million for grants for projects to prevent or reduce groundwater contamination that serves as a source of drinking water.

Other allocations:

- \$15 million for San Francisco Bay/Sacramento-San Joaquin Delta planning.

The County Department of Public Health indicates that its Environmental Health Unit regulates "small water systems" that entail less than 30 connections. Problems with these systems occur when the water is contaminated with bacteria or when other contaminants or chemicals are present. The allocation for grants and loans for small community drinking water systems could provide an opportunity for grants to the operators of these systems to install new pumps, filters or other infrastructure. The allocation for groundwater contamination could conceivably be used to address remediation of various contaminants which threaten groundwater from old manufacturing plants.

These two bills are similar to County-supported SB 2X 1 (Perata, Machado and Steinberg), which would appropriate a total of \$611 million in bond funding from the voter-approved Propositions listed above. However, there are some differences as well. The two bills included above appropriate a different overall amount of voter-approved bond funds than County-supported SB 2X 1, and the amount of funding for specified categories, as well as the categories themselves, are different in some instances. The amounts for the two SDPH grant and loan programs allocated in AB 2X 4 and SB 2X 4 (\$27.15 million and \$50 million) are lower than the amounts allocated in County-supported SB 2X1 (\$50 million and \$50.4 million). AB 2X 4 and SB 2X 4 should be amended to provide grant and loan funding through SDPH at the same level prescribed in SB 2X 1.

Of particular importance to the Department of Public Works (DPW) is the \$150 million to DWR for stormwater flood management project grants. In County-supported SB 2X 1, there is specific language which greatly increases the likelihood that the Big Tujunga

Dam would receive funding from the \$150 million for stormwater flood management project grants. In that bill, "at least \$100 million of the \$150 million must be available for projects that address immediate public health and safety needs and strengthen existing flood control facilities to address seismic safety issues." However, DPW indicates that this language is missing in SB 2X 4 and AB 2X 4. DPW supports SB 2X 4 and AB 2X 4, if amended to add this language.

Support for SB 2X 4 and AB 2X 4 is consistent with existing County policy to: 1) support proposals which promote environmentally-friendly flood control improvements and projects, and do not diminish the performance of flood control systems; and 2) support legislation to encourage water conservation and increase the efficiency of water use. **Therefore, our Sacramento advocates will support SB 2X 4 and AB 2X 4, if amended as indicated above.**

Support and opposition to these bills is currently unknown. SB 2X 4 is set for hearing on October 8, 2007 in the Senate Natural Resources and Water Committee. AB 2X 4 is currently at the Assembly Desk awaiting referral to a policy committee.

**COUNTY OF LOS ANGELES - CHIEF EXECUTIVE OFFICE
STATUS OF BILLS OF INTEREST TO THE COUNTY
2007-08 SECOND EXTRAORDINARY LEGISLATIVE SESSION ON
WATER SUPPLY AND RELIABILITY**

These are bills we have pursued in Sacramento pursuant to Board actions or as reported in bill policy memoranda.

<u>BILL</u>	<u>AUTHOR</u>	<u>POSITION</u>	<u>SUBJECT</u>	<u>STATUS</u>
AB 2X 4	Villines	Support if Amended Update: 10/5/07)	Would appropriate a total of \$553 million in bond funding from Proposition 1E (2006), Proposition 84 (2006), and Proposition 50 (2002) to the Department of Water Resources for a variety of water projects, particularly related to the Sacramento-San Joaquin Delta.	Assembly Desk
SB 2X 1	Perata	Support (State Update: 9/20/07)	Would appropriate a total of \$610.9 million in funding from Proposition 1E (The Disaster Preparedness and Flood Prevention Bond Act of 2006), Proposition 84 (The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) and Proposition 50 (The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002) to the Department of Water Resources and the State Department of Public Health for a variety of water projects, particularly related to the Sacramento-San Joaquin Delta.	Senate Natural Resources and Water
SB 2X 2	Perata, Machado, Steinberg	Support if Amended Update: 10/5/07)	Would enact the Water Supply Reliability Bond Act of 2008 which would authorize the issuance of \$5.8 billion in bonds for water supply reliability and environmental restoration if passed by the voters on February 5, 2008 as part of the statewide Presidential primary election. Urgency measure.	Senate Natural Resources and Water
SB 2X 4	Cogdill	Support if Amended Update: 10/5/07)	Would appropriate a total of \$553 million in bond funding from Proposition 1E (2006), Proposition 84 (2006), and Proposition 50 (2002) to the Department of Water Resources for a variety of water projects, particularly related to the Sacramento-San Joaquin Delta.	Senate Natural Resources and Water